



Monthly Economic Update

May 2004



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This report is an update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.montgomerycountymd.gov/finance>. For questions, please call (240) 777-8866.

➤ **Economic Conditions.** The national economy continued to expand during April and May. Forecasts suggest that real gross domestic production (GDP) will increase 4.5 percent during the second quarter matching the 4.4 percent growth during the first quarter. Industrial production had its largest two-month gain (↑1.9%) in April and May since the summer of 1991. Retail sales excluding food were up 1.3 percent in May. The national economy created 248,000 jobs in May and over 1.4 million since the end of August.

The regional economy continued to expand with the Washington Coincident Index, which represents the current state of the area's economy, increasing 1 percent in April and nearly 6 percent for the year. Total payroll employment in the region continues to exhibit remarkable growth, with the region's economy adding almost 80,000 new jobs over the past year and the unemployment rate at 2.8 percent is one of the lowest in the country. Inflation remains subdued with the "core" rate of 1.4 percent in May, below the national average.

➤ **Financial Markets.** While the economy continued its expansion during April and May, the stock market recovered in May from its previous two-month decline. As measured by three of the four major indices – NASDAQ (↑3.5%), S&P 500 (↑1.2%), and Russell 2000 (↑1.5%) – the stock market improved from the yearly lows in April. Only the Dow Jones (↓0.4%) experienced a decline. Interest rates, especially the federal funds rate, were the major issue in May. The issue was whether Federal Open Market Committee (FOMC) will raise the federal funds rate during its June meeting. Based on recent data from the Chicago Board of Trade's federal funds futures market, analysts have a high probability that the FOMC will raise the rate by 25 basis points to 1.25 percent.

➤ **Employment.** The County's employment, as measured by the household survey, increased 2.5 percent in April. Since January, resident employment increased 2.4 percent compared to the same four-month

period last year. The County's unemployment rate at 2.1 percent remains the lowest in the State.

Employment, as measured by jobs covered under the State's unemployment insurance program, provides a more modest picture. As measured by preliminary data provided by business establishments, total payroll employment increased 0.2 percent in 2003, the latest date for which data are available.

➤ **Construction.** With the regional economy expanding and employment showing potential signs of solid growth, non-residential construction in the County continues to outperform residential construction. Comparing both permits and starts, construction of non-residential property made a dramatic turnaround during the first five months of this year compared to the same period last year. Permits were up 17.1 percent and construction starts were up 10.9 percent. Over the same period, however, construction of single-family homes continued to fall below demand with only 664 new units constructed during the first five months of this year, 19 percent below the level last year.

➤ **Home Sales.** While the construction of new homes in the County remains below potential demand, sales of mostly existing homes maintained a brisk pace during the first five months of 2004. Sales were up 10.0 percent in May compared to May of last year and 7.3 percent for the year. At those rates, purchases of homes in 2004 may outpace the sales performance over the past two years (↑3.6% in 2002, ↑2.3% in 2003) assuming mortgage rates remain at their current levels.

Housing prices continued their acceleration in May. The average home price stood at a record \$435,000 in May, up 23.3 percent from May 2003, and the largest year-over-year increase since December 1999. The medium price also reached record levels in May increasing 24.9 percent to \$361,000. With demand for housing exceeding supply, prices should continue to rise in the near term.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2004	2003	2003
Leading Indicators						
National	May	0.5%		4.3%		3.0%
Washington MSA	Apr	0.8%		3.4%		2.5%
Coincident Indicators						
National	May	0.3%		2.2%		1.1%
Washington MSA	Apr	1.0%		5.8%		1.9%
Consumer Confidence Index						
National	May	0.2%		24.7%		17.5%
South Atlantic Region	May	5.9%		27.2%		16.5%
Consumer Sentiment (University of Michigan)	June (p)	5.5%		13.0%		6.8%
Consumer Price Index						
All Items (nsa)						
National	May	3.1%		2.1%		2.3%
Washington - Baltimore CMSA	May	2.8%		2.3%		2.8%
Core CPI (nsa)						
National	May	1.7%		1.5%		1.5%
Washington - Baltimore CMSA	May	1.4%		1.4%		2.4%
Retail Trade						
National (sales - nsa)	May	6.1%		8.4%		5.6%
Washington MSA (sales - nsa)	Mar	9.7%		9.6%		6.5%
Maryland (sales tax)	Apr	7.9%		10.9%		3.5%
Montgomery County (sales tax)	Apr	3.5%		7.2%		4.0%
Employment						
National (household data - nsa)	May	138,867,000	137,567,000	137,857,800	136,822,800	137,736,000
- Percent Change		0.9%		0.8%		0.9%
Washington PMSA (household data - nsa)	Apr	2,810,065	2,725,292	2,795,592	2,713,800	2,763,091
- Percent Change		3.1%		3.0%		1.6%
Montgomery County (resident)	Apr	498,932	486,899	498,655	487,103	495,052
- Percent Change		2.5%		2.4%		1.1%
Montgomery County (payroll)*	Dec. '03 (p)	455,548	454,407	449,889	449,025	449,025
- Percent Change		0.3%		0.2%		0.7%
Unemployment						
National (nsa)	May	5.3%	5.8%	5.8%	6.1%	6.0%
Maryland (nsa)	May	3.8%	4.3%	4.1%	4.6%	4.3%
Washington PMSA	Apr	2.8%	3.4%	3.1%	3.7%	3.4%
Montgomery County	Apr	2.1%	2.5%	2.4%	2.7%	2.5%
Construction						
Construction Starts - Montgomery County						
Total (\$ thousand)	May	\$80,094	\$51,206	\$463,448	\$374,328	\$949,138
- Percent Change		56.4%		23.8%		-42.7%
Residential (\$ thousand)	May	\$36,165	\$38,562	\$175,159	\$192,622	\$567,664
- Percent Change		-6.2%		-9.1%		-29.3%
Non-Residential (\$ thousand)	May	\$43,929	\$12,644	\$288,289	\$181,706	\$381,474
- Percent Change		247.4%		58.7%		-55.5%
Building Permits (Residential)						
National	May (p)	182,900	167,081	810,619	718,138	1,862,365
- Percent Change		9.5%		12.9%		6.6%
Maryland	Apr	2,746	2,387	8,815	8,318	30,125
- Percent Change		15.0%		6.0%		2.8%
Montgomery County	Apr	565	327	1,473	1,848	4,590
- Percent Change		72.8%		-20.3%		-8.4%
Building Permits (Non-Residential)						
Montgomery County	May	129	126	773	660	1,798
- Percent Change		2.4%		17.1%		-3.2%
Real Estate						
National (saar)						
Sales	Apr	6,640,000	5,770,000	6,310,000	5,810,000	6,100,000
- Percent Change		15.1%		8.6%		9.6%
Median Price	Apr	\$176,000	\$164,100	\$172,075	\$161,300	\$170,000
- Percent Change		7.3%		6.7%		7.5%
Montgomery County						
Sales	May	1,543	1,403	5,952	5,548	16,534
- Percent Change		10.0%		7.3%		2.9%
Average Price	May	\$434,633	\$352,383	\$402,272	\$338,821	\$362,997
- Percent Change		23.3%		18.7%		13.2%
Median Price	May	\$361,000	\$290,000	\$329,663	\$272,200	\$295,500
- Percent Change		24.5%		21.1%		15.5%
Average Days on the Market	Apr	19	24	28	35	27

* Year-to-Date data are for calendar years 2003 and 2002, respectively.

(p) = Preliminary